

21 October 2010

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 3007

Via email: standard@asb.gov.au

Dear Kevin

Comments on exposure drafts related to Australia-New Zealand harmonisation

Thank you for the opportunity to comment on the AASB Exposure Drafts AASB 200A and AASB 200B, which contain proposals to amend the suites of standards that exist in both jurisdictions.

CPA Australia, The Institute of Chartered Accountants (The Institute) and the National Institute of Accountants (the Joint Accounting Bodies) have considered the exposure drafts and our comments follow in the attached appendix.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

General Remarks

The Joint Accounting Bodies support the work of both boards to revise their respective suites of standards in order to bring the two sets of pronouncements closer together. We agree that it is an important and necessary part of implementing the undertakings made between the governments of Australia and New Zealand regarding Closer Economic Relations (CER). Further we consider that the proposed standards on which public comment has been sought do assist in meeting the objectives of CER and are therefore supported by the Joint Accounting Bodies.

This response primarily focuses on the Australian standards that are the subject of change, however we also support the changes to New Zealand standards in areas where Australia has already made this change with no noticeable issues of concern.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

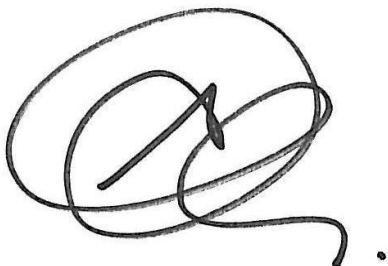
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nia.org.au

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (The Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely



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Andrew Conway
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Appendix – Detailed remarks on the proposed amendments

General comments

The overall objective of the two exposure drafts is supported by the Joint Accounting Bodies. With both countries on-going commitment to the adoption of IFRS, these proposals to further align the financial reporting standards and relevant guidance governing the financial communities in both markets are an important step in facilitating both government's objectives for "closer economic ties". We consider that it is in the best interests of users preparing general purpose financial statements in both countries.

In particular we provide the following general comments on the proposals

1. Harmonisation of accounting standards

As noted in our covering letter the Joint Accounting Bodies support the work of both boards to revise their respective suites of standards in order to bring the two sets of pronouncements closer together. We agree that it is an important and necessary part of implementing the undertakings made between the governments of Australia and New Zealand regarding Closer Economic Relations (CER). Further we consider that the proposed standards on which public comment has been sought do assist in meeting these objectives of CER.

2. Separate disclosure standards

The Joint Accounting Bodies support the creation by each country of a separate disclosure standard for disclosures that are in excess of those required by IFRS as issued by the IASB so that it is clear to users worldwide what has been added to IFRS as a result of unique jurisdictional requirements. We also support the objective of making the two separate disclosure standards as similar as is practical given the unique jurisdictional issues that they are addressing, again in the interests of international harmonisation.

However members have expressed concern that moving disclosure items into a separate standard simply increases the number of standards that need to be complied with. We therefore encourage the board to ensure adequate communication with stakeholders occurs and that the standards are clearly worded so as to ensure this new standard is not overlooked when financial statements are prepared.

3. Relocation and simplification

The Joint Accounting Bodies are generally supportive of the proposed alignments, deletions, relocations and harmonisations, subject to our detailed comments on the individual proposals set out later in this Appendix.

4. Differential reporting requirements

Items in the new standard based on ED 200B should be treated in a manner consistent with the principles of AASB 1053, which relates to the Reduced Disclosure Regime (RDR). Accordingly, specific transactional disclosure such as audit fees and imputation credits can be eliminated for RDR purposes.

However the more general disclosures that underpin the framework of preparation of the financial statements e.g. statutory basis and compliance with accounting standards should be disclosed by all entities to assist users understand the nature of the accounts they are reading.

5. Regulatory impact and best interests of the economy

The Joint Accounting Bodies have no additional concerns in relation to the impact of these proposals and support the moves toward closer economic relations as being in the best interests of the economies of both countries

Appendix – Detailed remarks on the proposed amendments

6. *Project scope limitation*

Limiting the scope of the work contained in these two exposure drafts to the “for-profit” sector is supported as an interim measure. However the Joint Accounting Bodies are keen to see the trans Tasman convergence work in the not-for-profit and public benefit entity area and on harmonising differential reporting requirements progress more quickly to provide clarity on the minimum expectations for high quality financial reports in these sectors while eliminating unnecessary differences which are affecting the efficient operation of these sectors in both economies.

This will also be important to reduce any remaining risk of non compliance with accounting standards in this sector that may occur with the reintroduction of the “true and fair override” into AASB 101.

7. *Application date*

The proposals have a suggested application for financial years beginning on or after 1 July 2011. The Joint Accounting Bodies see immediate benefits to many entities from the adoption of these proposals and have no reason to believe the amendments would impose a great burden on entities. As such we agree that the suggested application date is appropriate. However we would prefer that implementation was not piecemeal as we considered that this works against the objective of ensuring alignment as quickly as possible.

We note that this ED has not removed the specific AUS application paragraphs, as part of its alignment to IFRS. While it is acknowledged that this matter is outside the scope of the current project the Joint Accounting Bodies would like the board to consider the possibility of developing a single application standard that could incorporate by reference to all of the relevant standards and interpretations. Such a standard could also be a place for unique Australian disclosures, which the boards already envisage in this current exposure draft.

8. *Simplified auditor disclosures re related practices*

We agree with the Board’s proposals to remove these requirements.

9. *Interpretation 113 and the removal of text from the standard*

We agree that an entity should apply an accounting treatment retrospectively if the removal of the guidance causes management to rethink their accounting policy. Such a practice would be consistent with Paragraphs 22 and 34 of *AASB 108 Accounting Policies*.

10. *AASB 124 disclosures*

The AASB 124 disclosures should be removed from the accounting standards as they are a disclosures that sits outside the accounting framework. If the Federal Parliament decides disclosures such as these remain necessary then they should be included in the Corporations Act.

Specific Remarks – AASB 200A

The proposal by the AASB (pages 19-21) to include the discussion of the true and fair over-ride in IAS 1 *Presentation of Financial Statements* that is not currently in AASB 101 *Presentation of Financial Statements*;

This proposal is supported in the context of bringing AASB 101 in line with IAS 1 *Presentation of Financial Statements*. It is expected the override will be used rarely by entities given Australia's culture of compliance with accounting standards has been strong in recent years.

The proposal by the AASB (pages 21-22) and the FRSB (page 29) to harmonise and simplify the audit fee disclosure requirements in AASB 101 and NZ IAS 1 *Presentation of Financial Statements* and include them in the separate disclosure standards;

Harmonisation and simplification of these disclosures is supported.

The proposal by the AASB (pages 22-23) and the FRSB (page 39) to harmonise and simplify the imputation credits disclosure requirements under AASB 101 and NZ IAS 12 *Income Taxes* and include them in the separate disclosure standards;

The proposal to include the disclosures outlined above in a separate disclosure standard is supported and we agree with the proposed method of harmonisation and simplification.

The proposal by the FRSB (pages 33-34) to introduce the option in IAS 7 *Statement of Cash Flows* to use the indirect method of reporting cash flows that is not currently in NZ IAS 7 *Statement of Cash Flows*;

The Joint Accounting Bodies support this proposal which is already in operation in Australia.

The proposal by the FRSB (pages 40-41) to remove the independent valuation disclosure requirements and the requirement to use an independent valuer that are currently in NZ IAS 16 *Property, Plant and Equipment*.

This proposal is supported on the basis that it has already been removed in Australia with no obvious cause for concern.

The proposal by the FRSB (pages 51-55) to introduce the option in IAS 40 *Investment Property* to account for investment property using the cost model that is not currently in NZ IAS 40 *Investment Property*.

This proposal is supported again on the basis that it has already been removed in Australia with no obvious cause for concern.

The proposal by the FRSB (pages 55-56) to remove the independent valuation disclosure requirements and the requirement to use an independent valuer that are currently in NZ IAS 40.

This proposal is also supported on the basis that it has already been removed in Australia with no obvious cause for concern.

Specific comments – 200B

The AASB proposes to relocate some definitions with specific meanings currently contained in paragraph Aus7.1 of AASB 101 *Presentation of Financial Statements*.

The relocation of the definitions is supported.

The AASB proposes to relocate the compliance paragraph dealing with a declaration of compliance with Australian Accounting Standards from paragraph Aus15.2 of AASB 101 and to reword it to harmonise with the equivalent New Zealand requirement.

This relocation and rewording of these requirements is supported.

The AASB proposes to relocate paragraph Aus15.3 of AASB 101, which deals with the statutory basis for reporting, and to reword it to harmonise with the equivalent New Zealand requirement.

The relocation and rewording of these requirements is supported.

The AASB proposes to relocate paragraph Aus15.4 of AASB 101 that deals with disclosure of GPFS or SPFS.

This proposal is supported.

The AASB proposes to relocate the disclosures relating to audit fees under paragraphs Aus138.1 and Aus138.2 of AASB 101 and to reword them to harmonise with the equivalent New Zealand disclosures.

The relocation and rewording of these requirements is supported.

The AASB proposes to relocate the disclosures relating to imputation credits in paragraphs Aus138.3 to Aus138.5 of AASB 101 and to reword them to harmonise with the equivalent New Zealand disclosures.

This relocation and rewording of these requirements is supported.